

State Aid Operating Assistance

Description

This program provides support for eligible public transportation operating costs borne by eligible recipients.

Eligible Recipients

Eligible grant recipients include public transportation services operated by:

- Local and State Governments
- Transportation District Commissions
- Public Service Corporations

Eligible Expenses

State operating assistance is awarded to existing providers of public transportation service in Virginia. Financial assistance is distributed among the providers of service on the basis of total operating expenses incurred during the most recently completed fiscal year. Each prospective applicant may request operating assistance for the following eligible expenses:

- **Public transportation administrative expenses borne by the locality**

Eligible expenses include, but are not limited to, general administrative expenses such as:

- Accounting and payroll
- Advertising and promotion media
- Business related education and training for transit employees
- Business related travel expenses of transit employees
- Clerical
- Communication services – cost of communications including phones, fax, postage, etc.
- Contract management fees
- Facilities and equipment lease, rental and maintenance contracts (note: not eligible if funded through a capital grant)
- Data processing supplies
- Indirect costs – these costs can only be included if the indirect cost plans have been pre-approved by DRPT. If applicants do not have a pre-approved plan and wish to submit one to DRPT, it should be done as soon as possible. DRPT may not be able to pre-approve a plan that is submitted during the application period (December 1 – February 1). Indirect costs funded through a capital grant are not eligible.
- Insurance and bonding – cost of insurance, or payments to a self-insurance reserve, on property or against specific or general liabilities of the transit entity
- Office supplies, materials and equipment
- Other fixed charges – dues and subscriptions, taxes, licenses, etc.
- Printing and reproduction
- Professional services – retainer fees and expenses paid to professionals, not employees of the specific transit entity for their special expertise. Includes accounting, legal, architectural, engineering, management, and marketing services.

- Public Transportation Association dues (excluding any portion of the dues that are for state lobbying activities)
 - Salaries, wages and fringe benefits of transit entity employees such as the general manager and staff (Note: vehicle operators, mechanics, vehicle and on-vehicle maintenance workers, cleaners, etc. are not an eligible expense nor is insurance costs allocated to these employees.) Labor costs associated with contracted repairs of vehicles and related equipment are also ineligible.
 - Uniforms
 - Utilities – heat, lights, power, water and sewer expenses
- **Public transportation expenses borne by the locality for fuels, lubricants, tires, maintenance parts and supplies**
Eligible expenses include, but are not limited to:
 - Preventative maintenance
 - Cleaning supplies
 - Maintenance parts, supplies, tools and equipment
 - *Vehicle supplies and materials (tangible maintenance and operating resources for use and preservation of motor vehicles, not included in capital costs)
 - *Motor fuels and materials
 - *Oil
 - *Tires and Tubes
 - *Parts

* Note: These items are only eligible if consumed. Items purchased and included in inventory are not eligible.

- **Public Transportation expenses that are not eligible:**
 - Expenses not directly attributed to the operation of public transportation services.
 - Expenses that are already funded through a state capital grant.
 - Salaries, wages and fringe benefits of vehicle operators, mechanics, vehicle and on-vehicle maintenance workers, cleaners, etc. are not an eligible expense nor are insurance costs allocated to these employees. Labor costs associated with contracted repairs of vehicles and related equipment are also not eligible.
 - Expenses related to state lobbying activities.

Match Ratio and Limits of Funding

Historically, the Operating Assistance Program has matched between 35 percent and 50 percent of eligible operating expenses. The maximum state participation ratio allowed by the Code of Virginia is 95 percent of eligible operating expenses, including administrative expenses, fuel, tires, and maintenance expenses. However, the amount of funding available for this program has never been sufficient for DRPT to provide the maximum state participation ratio.

Application Evaluation Process

Applicants need to ensure that expenses (described above) and revenues are properly reported on their application. Federal revenues are financial assistance from any federal government program. State revenues are financial assistance from any state government program other than

DRPT's Operating Assistance program. Local revenues are defined as financial assistance from local entities that support the operation of the transit system. Local revenues include, but are not limited to:

- Tax levies — A specified amount from local levies that is dedicated to supporting public transit system operating costs.
- General funds — Transfers from the general fund of local governments to cover the Local Share portion of the transit system budget.
- Specified contributions — Contributions from city, county or other municipal government towards the Local Share portion of the transit system budget.
- Donations — Donations from individuals or organizations to help cover the costs of providing transit service but which are not related to specific passengers or trips.
- Other — Other revenues such as advertising.

DRPT evaluates Operating Assistance applications by validating the expenses and revenue sources submitted on the application, determining the eligibility of listed expenses based upon the criteria noted above in 1.1.3, requesting additional data or clarification from applicants if necessary, reviewing data submitted by the applicant for the previous year and any audited financial statements.

Transit New Starts – New Systems, New Modes and New Service

Operating Assistance is available for new systems, new modes of public transportation being added by existing systems and new service on current modes of public transportation provided by existing systems. New service on current modes must increase existing transit service revenue miles/hours by at least 5 percent to be eligible for additional operating assistance funding.

Any proposal to develop a new transit system, new mode or new service must begin with proper planning. To assist local entities and the public, DRPT has developed Transit Service Design Guidelines (available at: <https://olga.drpt.virginia.gov>) as a tool to assist with the planning process. This tool provides useful information to local entities on implementing new transit service. Local entities must conduct a plan prior to requesting any Operating Assistance for new transit service (this does not include expanding existing routes). Planning funds may be applied for through DRPT's Technical Assistance Program. DRPT encourages local entities to involve DRPT in any transit system planning efforts. DRPT also has resources available to help manage transit system planning studies on behalf of local entities.

Transit feasibility studies are acceptable planning documents for new transit systems. Existing systems must have a completed and adopted Transit Development Plan in order to request Operating Assistance for new service. DRPT's Transit Development Plan requirements are available at <https://olga.drpt.virginia.gov>. Transit Development Plans must be submitted with an existing system's Operating Assistance application.

DRPT staff will evaluate all requests for new service using the Transit Service Design Guidelines. Specifically, proposals should demonstrate how they have addressed the topics defined in Sections 1.2-1.7 of the guidelines:

- Examining all of the options
- Planning for success
- Framing the purpose and need
- Land use considerations
- Service area and transit network design
- Other important considerations

Proposals will also be evaluated against the typical characteristics provided in Section 2.0 of the guidelines.

Operating Assistance Formula Calculation

The amount of Operating Assistance for each recommended application is calculated using a formula. The formula works as follows:

DRPT takes the total amount of Operating Assistance funding available and allocates it among applicants based upon operating expenses from the previous fiscal year (for example, in calculating Operating Assistance for FY17, DRPT will look at the FY15 expenses). Next, DRPT goes through a two test process to determine the final amount of Operating Assistance. The first test is the Maximum Eligibility Test. The second test is the Maintenance of Effort Test. The Maintenance of Effort Test is only applied in years when state funding for operating assistance has increased over the previous year.

Maximum Eligibility Test

To determine an applicant's maximum eligibility, DRPT follows the steps described below:

1. DRPT takes the total operating expenses as submitted by the applicant, places them into three categories: 1) Administration (eligible expenses), 2) Fuel, Tires and Maintenance (eligible expenses) and Other (ineligible expenses) and analyzes whether the sum of the applicant's anticipated federal operating assistance, state aid from other sources and operating revenue is more or less than the Other expenses.
 - a. If the sum of federal operating assistance (if any), state aid from other sources, and operating revenue is **less than** the applicant's Other expenses, then DRPT adds the Administration and Fuel, Tires and Maintenance expenses together and multiplies the number by 95 percent in order to determine an applicant's maximum eligibility.
 - b. If the sum of federal operating assistance (if any), state aid from other sources and operating revenue is more than the Other expenses, DRPT adds the Administration and Fuel, Tires and Maintenance expenses together, and then subtracts the amount of federal, other state aid and operating revenue that is left after paying for Other expenses, and multiplies the new total by 95 percent.
2. DRPT then takes the operating assistance amount for each applicant and compares it to their maximum eligibility amount.

- a. If the applicant's operating assistance amount is less than their maximum eligibility, their operating assistance amount does not change.
- b. If their operating assistance amount is more than their maximum eligibility (this rarely occurs), then their operating assistance amount is reduced to the maximum eligibility amount.

Maintenance of Effort Test

To determine if the applicant has met the maintenance of effort requirement, DRPT uses a two-tiered process.

1. The first tier examines if local funding as set out in the proposed budget will be at a level equal to or greater than the amount provided in the previous year. This calculation will include farebox revenue generated plus the total local operating funding provided to the transit system in the previous year compared to the sum of these figures for the upcoming budgeted year.
2. The second tier will evaluate whether revenue miles operated will be maintained from the previous year.
3. If one or both of these requirements is met, then the operator will receive the full amount of any increase in available funding for the next year. If both of these requirements are not met, then the amount of state operating assistance will be capped at the previous year's level.

For Transit New Starts, local entities may apply for Operating Assistance for a new transit system, a new mode or new service by submitting a proposed budget. If approved, entities will receive a grant and will use a proposed budget for their application the following year as well. By the third year, entities must submit their certified operating expenses, similar to all other systems. For new service for an existing system, the Operating Assistance application requires existing systems to provide the number of revenue miles operated from the most recent year for which certified operating expenses are available (for example, FY153 would be the most recent available year of data for the FY176 application) and the revenue miles that are proposed to be operated with the new service for the upcoming fiscal year (FY16). DRPT will adjust the certified expenses for the existing system by the percentage increase in revenue miles. However, if the percentage increase in revenue miles from the new service is less than 5 percent, DRPT will not make an adjustment to the existing system's certified expenses.

Upon completion of the evaluation process, DRPT includes the recommended applications and allocation in the Draft Six Year Improvement Program. The CTB approves the release of the draft program to the public for comment and following receipt of public comments, the CTB approves the final Six Year Improvement Program.

Application Procedure

Applications for all State Aid Grant Programs are submitted online using DRPT's On-Line Grant Application system (OLGA) at: <https://olga.drpt.virginia.gov>.

Required data include:

- Previous year's audited operating expenses
- A detailed crosswalk of the audited operating expenses.
- Operating expense budget for upcoming fiscal year, including administrative expenses; total amount of fuel, lubricants, tires and maintenance parts, supplies tools and equipment; and preventative maintenance
- Total amount of state aid from all other programs anticipated for the upcoming fiscal year. Anticipated state aid for the upcoming fiscal year **DOES NOT** include the amount of operating assistance anticipated from the Operating Assistance program. This program is a formula driven program in which DRPT calculates the amount of aid a grantee will receive using information submitted by all applicants (described above)
- Total amount of federal aid from the FTA Section 5307 program anticipated for the upcoming fiscal year that will be used to support expenses in the proposed operating budget
- Calculated total amount of federal aid from the FTA Section 5311 – Rural Areas application submitted during the upcoming fiscal year that will be used to support expenses in the proposed operating budget
- Total amount of federal aid from the CMAQ program anticipated for the upcoming fiscal year that will be used to support your proposed operating budget
- Total amount and source(s) of state and federal aid from any other programs anticipated for the upcoming fiscal year that will be used to support expenses in your proposed operating budget. These sources will be recorded on the application as deductions.
- Certifications and resolutions